Regulating Energy Networks for the Future: RPI-X@20 Emerging Thinking – Simplicity of the Framework: Issues to Consider

Document type: Supporting Paper

Date of publication: 20th January 2010

Target audience: Consumers and their representatives, those with sustainable development interests, energy transmission and distribution companies, generators and offshore producers, suppliers, shippers, Government, investors, academics and other interested parties.

Overview

RPI-X@20 is Ofgem's detailed review of energy network regulation. We are looking to the future on behalf of consumers by considering how best to regulate energy network companies to enable them to meet the challenges and opportunities of delivering a sustainable, low carbon energy sector whilst continuing to facilitate competition in energy supply. There is considerable uncertainty about how best to meet these challenges whilst maintaining value for money for existing and future consumers.

We have emphasised throughout RPI-X@20 that we will, as far as practicable, look to develop a future regulatory framework that is transparent, streamlined, and accessible to those involved with the regulation of energy networks (incorporating a wide range of stakeholders). In this supporting paper, published in parallel with our main Emerging Thinking consultation document, we present initial ideas on issues and options that we will consider as we develop the detail of any new regulatory framework for our final recommendations.

We welcome views on this supporting paper.

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Table of contents

1. Working towards a simplified framework

1.1. When RPI-X@20 was announced it was highlighted that the review presented an opportunity to explore the scope for simplifying the regulatory regime. Throughout the course of the review we have acknowledged concerns that the framework has become increasingly complex, potentially posing barriers to effective engagement by us and network companies and risks of unintended consequences.

1.1. Our Emerging Thinking consultation paper attempts to provide an accessible overview of our emerging thinking on a potential new regulatory framework and is aimed at a wide range of interested parties. Our ideas on 'embedding financeability in a new regulatory framework' are discussed in more detail in a parallel consultation paper. We will also shortly be publishing a related consultation paper on whether we should introduce a third-party right to challenge to our final price control decisions, as some participants in the review have advocated.

1.2. This is one of a series of technical supporting papers that provide further details on key aspects of the proposed new framework. These supporting papers are aimed primarily at the network companies, investors and other stakeholders who require a more in depth understanding of our thinking and the rationale underpinning it in some or all areas. References for these papers can be found in Appendix 10 of our main Emerging Thinking consultation paper (http://www.ofgem.gov.uk/Networks/rpix20/publications/CD/Documents1/emerging%20thinking.pdf).

1.3. In our Emerging Thinking paper, we emphasise that, as far as practicable, we aim to have a regulatory framework in the future which is transparent, streamlined, and accessible to stakeholders engaging with energy network companies. The ambition to develop a less complex regulatory framework will need to be balanced with the need to design and implement appropriately targeted and well defined output requirements and incentive mechanisms.

1.4. This document sets out our ideas on what a simplified regulatory framework might look like. It then sets out issues and preliminary options that we will consider as we develop the detail of the future regulatory framework for our final recommendations to the Gas and Electricity Markets Authority.

What do we mean by a simplified framework?

1.5. Simplification can play a clear role in enhancing the effectiveness and efficiency of our regulatory frameworks. We think that a simplified framework could:

- encourage more effective engagement with consumers, networks companies, Government, and other interested parties,
- reduce the risks that complexities within the framework may lead to unintended consequences and less effective mechanisms and incentive schemes, and

- reduce the regulatory and administrative burden borne by network companies, Ofgem, and other parties involved in the regulatory process.

1.6. We also recognise the link between simplicity and best practice principles of regulation, particularly transparency.

1.7. When developing our final recommendations we will therefore consider simplicity of any new regulatory framework from the following perspectives:

- **Simplicity as a means of facilitating effective engagement:** We are seeking to deliver an accessible framework that facilitates effective engagement across a variety of stakeholders throughout the regulatory process.

- **Promoting clear understandings by those involved in delivering network services and the regulatory process:** We are seeking to deliver a regulatory framework that can be efficiently and effectively translated by network companies and others into actions that promote the achievement of desired outcomes. We are also seeking to deliver a regulatory framework that provides clear information on the outputs and outcomes sought to be delivered.

- **Ensuring regulatory efforts are well targeted:** We are seeking to develop a future regulatory framework that delivers desired outcomes that limits, as far as possible, administrative and regulatory burden on Ofgem, the companies that we regulate, and other stakeholders.

1.8. In the following paragraphs we set out issues that we will be considering further as we work up the detail of the future regulatory framework for our final recommendations. We focus on:

- specific areas of perceived complexity highlighted by stakeholders, and

- preliminary ideas on options which may facilitate greater simplicity, building on best practice regulation, stakeholder feedback, and recent measures introduced by Ofgem.

Perceived complexities

1.9. We recognise that there are potential concerns that the regulatory framework has become increasingly complex, posing barriers to effective engagement and risks of unintended consequences. Stakeholders have also highlighted concerns of complexity in the framework driving a lack of transparency and difficulty predicting the impact of the price control on network, and hence consumer, charges.

1.10. In broad terms, concerns raised by stakeholders relate to the length and detail of the regulatory review process and increasing complexity of the controls themselves. The following specific issues have been highlighted:

- **Coherency:** Stakeholders have commented on the numerous incentives in place, indicating that this raises questions for them as to their coherence and their efficacy in driving desired behaviours and outcomes. Others have highlighted the number of different components of the control and questioned how they link to wider frameworks.

- **Accessibility:** Stakeholders have commented on the complexity of the Information Quality Incentive (IQI), which was introduced to incentivise better expenditure forecasting by distribution network companies. They have also highlighted concerns relating to the length and technical nature of licence conditions and the complexity of the weighted average cost of capital (WACC) calculation.

- **Clarity:** Stakeholders have highlighted that there is a lack of clarity as to how first year (P_0)[1] revenue adjustments are calculated from network costs. They have also questioned how incentive regimes are interpreted and applied in the absence of detailed regulatory accounting rules defining which costs fall under each regime, with the IQI again cited as an example.

1.11. In addition, stakeholders have highlighted increasing granularity in reporting requirements as a specific source of complexity.

[1] P_0 refers to the level of cost reductions that regulated companies are required to pass on to customers at the beginning of new price control periods. The P_0 figure is intended to reflect the change in allowances under the new price control as compared with the allowances that were available under the existing control.

2. Preliminary options

2.1. We set out here preliminary ideas on how we might consider these issues when developing the detail of the future regulatory framework for our final proposals.

2.2. We have considered lessons from best practice regulation, from literature and from other sectors. We have also considered stakeholder feedback and relevant measures introduced by Ofgem, for example, in the recent electricity distribution price control review.

2.3. Based on this evidence, the following options for facilitating greater simplicity emerge, though we may also find others as we work up the detail of our proposals:

- measures to enhance the effectiveness and accessibility of regulatory information,
- aggregation and rationalisation of output measures and incentives, and
- streamlining processes and targeting resources.

Enhancing the effectiveness and accessibility of information

2.4. Relevant government guidance identifies a critical role for quality information in ensuring delivery of desired outcomes. By quality information we mean clear, targeted, concise, and accessible documents which explain jargon and use of acronyms and minimise their use wherever possible. In particular, it is emphasised that information should be provided in a manner that facilitates parties to act, in response to the information, in a way that was intended[2]. Information should also be provided in a way that ensures regulated entities understand their obligations[3].

2.5. Consistent with these principles, there is evidence of a move towards regulators seeking to provide more concise and accessible information. One example of this is the approach adopted by Ofwat, the England and Wales water industry regulator, in the context of its "Project Explain", which seeks to improve the accessibility of its work to non experts. They seek to do this, for example, through website improvements, accessible information on relative efficiency assessments, and exploring potential information gaps[4]. Ofcom, the Communications regulator, have also introduced a range of measures designed to enhance the accessibility of information, including publishing plain language summaries of major consultation documents and issue-specific blogs[5]. Another example are the measures implemented as part of the recent electricity distribution price control review,

[2] Refer http://www.berr.gov.uk/files/file44367.pdf
[3] Refer http://www.berr.gov.uk/files/file45019.pdf
[4] For further details, see: http://www.ofwat.gov.uk/aboutofwat/prs_nlt_h2ofwat_iss11.pdf
[5] Further details on these initiatives can be found at the following link: http://www.consumerfocus.org.uk/assets/1/files/2009/06/10708_CF_Ofcom_web.pdf

including the publication of a concise overview of our initial and final proposals intended to be accessible to a wider audience.

2.6. We recognise the general support indicated by stakeholders for these principles[6] and have sought to adopt them in our documents and will continue to so.

2.7. In our Emerging Thinking consultation document, we set out our thinking on a potential new regulatory framework that is focused on delivery of desired outcomes, translated into outputs. We also discuss potential options to encourage network companies to engage more effectively with consumers, network users, and other interested parties[7]. Both aspects of any new regulatory framework are likely to require more accessible information on company plans and company performance. This will build on our thinking on requiring electricity distribution companies to report on their performance against output measures focused on asset health and publication of gas distribution companies' performance against a 'balanced score card' intended to provide an overview of performance across a number of areas[8].

2.8. Consistent with the principles of effective regulatory information, we recognise that clear, timely, and accessible guidance would be needed to assist network companies in implementing any new regulatory framework. We would also need to provide clear and transparent justification of key decisions to facilitate ease of adjustment to any new framework, particularly in the early stages of implementation. We will consider how these features could be embedded within the regulatory process as we work up our thinking over coming months.

Aggregation and rationalisation of incentives

2.9. Under the current frameworks, network companies are subject to a range of incentive mechanisms against which they can earn rewards or face penalties. They also face a number of specific obligations against which they can face penalties. We present an overview of these in appendix 1.

2.10. As discussed above, there are concerns relating to both the number and transparency on the relative strength and effectiveness of each of the different incentive schemes. Through recently publishing estimated returns on regulatory equity that provide an indication of the effect incentive revenues can have on overall estimated equity returns, we have sought to deliver enhanced information on this aspect of distribution network company performance[9].

[6] See, for example, http://www.consumerfocus.org.uk/assets/1/files/2009/06/10708_CF_Ofcom_web.pdf
[7] Further details on our thinking can be found in our supporting paper on enhanced engagement and accountability, available here:
http://www.ofgem.gov.uk/Networks/rpix20/publications/CD/Documents1/et%20engagement.pdf
[8] Further details on our thinking can be found in Ofgem's Corporate Strategy and Plan 2009-2014:
http://www.ofgem.gov.uk/About%20us/CorpPlan/Documents1/Corporate%20Strategy%20March%202009.pdf
[9] Further details on this measure as applied to electricity distribution network companies can be found in the Allowed Revenues and Financial Issues Technical Paper which supports the Electricity Distribution Price Control Review Final Proposals Decision Document, available at the following link:

2.11. More aggregated or consolidated approaches may also offer a way forward in seeking to address these concerns.

2.12. Stakeholders have raised the following suggestions which, in broad terms, relate to aggregation or consolidation of existing incentive mechanisms:

- Consider an incentivised balanced scorecard approach to customer service[10].
- Review and consider, in RPI-X@20, the rationale and purpose of incentives to ensure that they are delivering desired outcomes.
- Consider whether some service or investment improvement requirements could be as effective if incorporated into licence conditions and/or targets, rather than incentives which are perceived to be overly complex.

2.13. While we recognise the critical role that current incentive mechanisms have played in shaping the performance of network companies under existing frameworks, we have some sympathy for stakeholder concerns as to the number and complexity of these mechanisms. When designing new mechanisms, we will seek to ensure they are streamlined. We will also explore the merits of stakeholder suggestions relating to aggregation and consolidation and how they might fit with our intention for a greater focus on outputs as part of the regulatory process.

2.14. We also recognise the need to consider whether existing mechanisms may be removed or refined in a future regulatory framework. As part of this, we intend to consider whether there is scope for potentially beneficial rationalisation and/or refinement of existing mechanisms, with a particular focus on areas of perceived complexity highlighted by stakeholders[11]. Such rationalisation would be partly to ensure the overall framework is effective but also partly motivated by objectives of streamlining and simplicity where possible. Rationalisation would not be done at the expense of undermining the benefits of the existing incentives. We will also be considering the pros and cons of options which serve to embed ongoing cross checks on the effectiveness of regulatory mechanisms.

Streamlining processes and targeting regulatory efforts

2.15. In working up our thinking on the future regulatory framework, we will be guided by the principle that processes should be streamlined as far as possible, in the interests of minimising regulatory burdens on Ofgem and the companies we

http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntrls/DPCR5/Documents1/FP_5_Financial%20Issues.pdf. Further details on its application to gas distribution network companies can available in the Gas Distribution Annual Report for 2007-08, available at the following link: http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/Gas%20Distribution%20Annual%20Report%202007_8.pdf

[10] Further details can be found at the following link: http://www.ofgem.gov.uk/Networks/rpix20/publications/CD/Documents1/NGN%20Response%20to%20RPI-X@20%20Principles%20Process%20and%20issues.pdf

[11] Further details can be found in our supporting paper focusing on facilitating efficient longer -term delivery of desired outcomes.

regulate. By "streamlined" we mean processes which, as far as possible, are efficient and avoid unnecessary duplication of effort. This is consistent with our better regulation duties under section 3A(5A) of the Electricity Act 1989 and section 4AA(5A) of the Gas Act 1986.

2.16. We will consider the proposed components of the future regulatory frameworks and, where appropriate, target regulatory efforts where they can provide the most value for consumers. This will include consideration of our thinking on treating network companies proportionately at price reviews, for instance, less detailed scrutiny of companies in the longer term who have built up a track record of strong performance[12]. It will also include consideration of options for extending the price control period, which could enable less frequency in price control reviews, and our thinking on enhancements to business plan requirements[13]. We will also be guided by the results of Ofgem consumer research commissioned as part of the recent electricity distribution price control review and consumer feedback in considering where priorities may lie in exploring the scope for simplification[14]. These sources suggest the following issues are of particular interest to consumers:

- Contributions toward tackling climate change,
- Value for money and price,
- Quality and reliability of services, and
- Risks taken by customers and companies.

2.17. In addition, we will also consider further how assessments of price review processes undertaken at the end of price control reviews could be best utilised as a tool to facilitate reductions in the administrative burden of future price control reviews. These typically seek to identify lessons to inform future reviews on a number of aspects of the regulatory process, ranging from data collection to consultations[15].

2.18. We will be exploring potential opportunities and the pros and cons of options for further embedding streamlining within the framework over coming months.

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[12] Ibid.
[13] Ibid.
[14] Refer, for example, to Consumer First Research for DPCR5 Quantitative Findings Report available at: http://www.ofgem.gov.uk/Networks/ElecDist/QualofServ/Documents1/1704rep04_final.pdf; Consumer Focus Response to DPCR5 Initial Proposals, available at the following link: http://www.consumerfocus.org.uk/assets/1/files/2009/11/DPCR5methodologyandinitialresultsconsultationresponse5June2009v10.pdf; DPCR5 Initial proposals, available at the following link: http://www.ofgem.gov.uk/NETWORKS/ELECDIST/PRICECNTRLS/DPCR5/Documents1/Initial%20Proposals_1_Core%20document.pdf; and summary of discussions at the 16 October 2009 RPI-X@20 stakeholder workshop, available at the following link: http://www.ofgem.gov.uk/Networks/rpix20/publications/Presentations/Documents1/16%20Oct%20workshop.pdf

[15] See, for example, the final report outlining Ofgem's assessment of the Fourth Distribution Price Control Review process available at the following link: http://www.ofgem.gov.uk/NETWORKS/ELECDIST/PRICECNTRLS/DPCR4/Documents1/11183-17505.pdf

3. Next steps

3.1. To reiterate, we are not concerned with simplicity for simplicity's sake in developing the future regulatory framework.

3.2. We will continue to explore how we can, as far as practicable, design a future regulatory framework that is transparent, streamlined, and accessible. We will, where appropriate, remove any unnecessary complexities. This will involve considering perceived complexities and options which may facilitate and potentially embed simplification further. We will build on the ideas presented in this paper.

3.3. In exploring these areas we will take account of our duty under the Regulatory Enforcement and Sanctions Act 2008 to remove regulatory burdens that we consider to be unnecessary and our better regulation duties under Section 3A(5A) of the Electricity Act 1989 and section 4AA(5A) of the Gas Act 1986.

Appendix 1 – Incentive mechanisms incorporated in the existing regulatory frameworks

1.1. The tables below present an overview of the range of incentive mechanisms incorporated in the existing regulatory frameworks.

1.2. We focus on incentives and obligations considered in setting price controls. In particular, we focus on mechanisms aimed at incentivising networks to undertake specific behaviours, activities or deliver quality of service. We also focus on mechanisms which strengthen incentives for efficiency and promote flexibility of the framework in adjusting to uncertainty.

1.3. We cover mechanisms featured in the most recent price control review for each sector. The annex incorporates incentives and mechanisms included in final proposals for the fifth electricity distribution price control review.

1.4. It is beyond the scope of this annex to present an overview of wider network obligations or requirements relating to reporting and charging methodologies. It is also beyond the scope of the annex to present an overview of incentives which sit outside of the core price control framework, including system operator (SO) incentives.

Incentive mechanisms around efficiency and expenditure

Mechanism	Overview	Sectors Applied			
		Elec D[16]	Elec T	Gas D	Gas T
Information quality incentive (IQI)	A mechanism for setting price control allowances that provides ex ante incentives for network companies to submit accurate forecasts of their expected expenditure and provides incentives for efficiency improvements once the price control has been set.	✪		✪	
Incentive rate (e.g. for capital expenditure)	Intended to expose a network company to a fixed percentage (e.g. 25% for capital expenditure in transmission), in each year of the price control, of any difference between Ofgem's expenditure allowance and its actual expenditure.	✪	✪	✪	✪
Capital expenditure rolling incentive	Five-year rolling incentive for capital expenditure intended to expose network company to the same benefit (or expose it to the same costs) of spending less (more) than the capital expenditure allowance in each year of price control. Value of benefit comes from five-year time lag (or five-year retention period) before company's actual expenditure feeds into the revenue it is allowed under the price control.				✪
Ex-post efficiency review	A review of a company's expenditure after it has been incurred to decide whether consumers should be exposed to the costs through the price control based, for instance, on an assessment of whether it was economic and efficient. Examples include the treatment of capital expenditure in transmission and arrangements for electricity distribution pension deficit costs.	✪	✪		✪
Capital expenditure safety net	Review of capital expenditure allowances if capital expenditure in any year is more than 20 per cent below the capital expenditure allowance for that year.		✪		✪

[16] Under our Final Proposals for price controls from April 2010, published 7 December 2009.

Mechanism	Overview	Sectors Applied			
		Elec D[17]	Elec T	Gas D	Gas T
Capacity outputs incentive	Intended to encourage GDNs to make the most efficient choices regarding the management of network capacity (e.g. trade-offs between network reinforcement, procurement of interruption services, and NTS capacity booking).			✪	
Gas Shrinkage incentive	Incentivises companies to reduce gas shrinkage which is a combination of gas lost through leakage, gas used by the GDN, and stolen gas. In the case of gas transmission, similar incentives exist under the SO incentive framework.			✪	
Losses incentive	Incentive reward/penalty system to encourage companies to manage an efficient level of losses on the system. (The transmission losses incentive comes via the SO incentive scheme; we therefore do not cover it any detail here).	✪			

Specific schemes to fund innovation and R&D

Mechanism	Overview	Sectors Applied			
		Elec D[18]	Elec T	Gas D	Gas T
Innovation funding incentive (IFI)	Funding made available to support a large proportion (e.g. 80%) of a company's costs of qualifying research and development projects, subject to a network-level funding cap.	✪	✪	✪	✪
Low Carbon Networks Fund	A mechanism established under DPCR5 which will see up to £500m over the price control period being made available to DNOs and their partners seeking to trial new innovative technologies and techniques needed to serve a low carbon economy.	✪			

[17] Under our Final Proposals for price controls from April 2010, published 7 December 2009.
[18] Ibid.

Uncertainty mechanisms

Mechanism	Overview	Sectors Applied			
		Elec D[19]	Elec T	Gas D	Gas T
Revenue or volume drivers	Provides a means of linking revenue allowances to measurable outputs, factors, or volume changes considered to influence costs. Examples include revenue drivers related to loss of metering work in gas distribution and revenue drivers linked to the amount of generation connected and boundary flows in electricity transmission.	✪	✪	✪	✪
Specific re-opener	Provides for specific aspect of the price control to be adjusted during the price control period (e.g. if a specific event occurs or when relevant information is expected to become available). Examples include provisions to manage potential changes in tax treatment and mechanisms to adjust for additional costs arising from the Traffic Management Act.	✪	✪	✪	
Logging up	Enables a revenue allowance for specified items or areas of expenditure (e.g. mitigation costs incurred by transmission companies in response to implementation of the BT 21 Century Networks initiative or expenditure on emergency batteries by electricity distribution companies), to be determined at the next price control review, in light of relevant information e.g. on costs.	✪	✪		✪
Pass through	Provision that a network company is not exposed to specified costs. These are, generally, costs over which the company has limited or no control and are instead passed on to consumers. Examples include business rates and Ofgem licence fees.	✪	✪	✪	✪
Use it or lose it mechanisms	Allowed revenue ex ante for a set purpose, which is clawed back if the expenditure is not required. The £213m allowance established under DPCR5 to encourage investment in a sustainable workforce falls under this category of mechanism.	✪			

[19] Under our Final Proposals for price controls from April 2010, published 7 December 2009.

Incentive schemes and compensation schemes relating to network delivery

Mechanism	Overview	Sectors Applied			
		Elec D[20]	Elec T	Gas D	Gas T
Interruptions incentive scheme (IIS)	Incentivises companies to maintain and improve their reliability performance based on measures of number and duration of interruptions.	✪			
Reliability incentive scheme	Incentivises companies to maintain and improve their performance in reliability and continuity of supply.		✪		
Temporary disconnection compensation	CAP048 sets out compensation payment entitlements for generators with firm access rights in the event they are temporarily disconnected from the transmission network.		✪		
Supply restoration	A series of obligations relating to the number of outages and the speed of restorations. The terms of the performance standard vary depending upon factors such as the cause and scale of the interruption. Penalties may vary between £27 and £109 dependent upon the type of customer and situation, with additional payments capped at £218 for longer outages in some cases.	✪			
Notice of planned interruption to supply	Aims to ensure customers are given a minimum two days notice before supply outages. The payments for failure in meeting this standard are £22 for domestic and £44 for non-domestic customers.	✪			
Supply restoration	A penalty of £30 to domestic and £50 for non-domestic customers if gas supply cut off or lost for more than 24 hours due to an unplanned interruption. A cap, on additional payments for continued failure to supply, of £1000 exists.			✪	

[20] Under our Final Proposals for price controls from April 2010, published 7 December 2009.

Mechanism	Overview	Sectors Applied			
		Elec D[21]	Elec T	Gas D	Gas T
Re-instatement of consumers' premises	Specifies that gas transporters must reinstate customers' premises within 5 working days, with a compensation of £50 for domestic and £100 for non-domestic customers.			✪	
Telephony response incentive scheme	Incentivises quality and speed in responding to customers by telephone. We indicated in the context of DPCR5 that the telephony response scheme will eventually be phased out to coincide with the "go live" date for broader measures of consumer satisfaction.	✪			
Worst served customers incentive	A mechanism developed in DPCR5 to incentivise improvements to reliability of service for those who experience many interruptions over a number of years.	✪			
Discretionary reward scheme	Seeks to reward initiatives not covered by other mechanisms or which are hard to measure (e.g. customer care).	✪		✪	
Distributed generation incentive framework	Additional incentives to encourage DNOs to provide network access to distributed generation including where network reinforcement is required. Broadly, the framework works through a partial pass-through and revenue driver mechanism.	✪			

[21] Under our Final Proposals for price controls from April 2010, published 7 December 2009.

Mechanism	Overview	Sectors Applied			
		Elec D[22]	Elec T	Gas D	Gas T
Delivery Incentive(s)	Generic 'permit system' to encourage timely delivery by network operators. Early delivery earns a 'permit' which has a cash value (Incremental Capacity). In addition, specific delivery incentives have also been used (e.g. relating to the Milford Haven project).				✪
Environmental emissions incentive	Incentivises companies to reduce environmental damage caused by emissions of, for example, methane or sulphur hexafluoride due to leakage, venting etc.		✪	✪	
Respond to failure of distributor's fuse	Specifies the required DNO response time to fuse failures, with a penalty of £22 for not responding in this given time.	✪			
Making and keeping appointments	Companies must offer and keep a timed appointment, as well as where requested by the customer, otherwise a £22 penalty must be paid to the consumer.	✪			
Payments owed under the standards	If payment for any of the supply, appointment, and fuse failure response standards set out above are not made within 10 working days, a further fine of £22 will be levied.	✪			
Buyback incentive	If NGG is unable to delivery capacity it has to buy it back – there are incentives around the target level of buy back.				✪

[22] Under our Final Proposals for price controls from April 2010, published 7 December 2009.

Mechanism	Overview	Sectors Applied			
		Elec D[23]	Elec T	Gas D	Gas T
Standards of connection	Designed in aid of stimulating a more competitive connections market. In return for allowed margins, DNOs will be required to meet certain standards developed as part of DPCR5 or face a penalty. By December 2013, DNOs will also be required to show competition in their regional market is working well and that they are not acting as a barrier to competition.	✪			
Connections	Numerous regulations exist which ensure that connection services are accurately quoted, and the work is done in a timely manner. Compensation ranging from £10 to £150 can be levied as standard dependent upon the area of failure, with further compensation given for further failure, capped at between £250 and (for quotes between £50k-£100k) £9000.			✪	
Priority domestic customers	This ensures that alternative cooking and heating arrangements are provided to priority customers within a given time scale – dependent upon the number of customers affected. The compensation to customers if this is not met is £24.			✪	
Timeframes for compensation payments	Sets the time frames in which the compensation payments must be made. £20 further compensation for failing to pay on time.			✪	
Notification of planned interruption	Specifies that consumers must be given a minimum 5 working days notification in advance of planned interruptions. The compensation paid for not doing so is £20 for domestic customers and £50 for non-domestic.			✪	
Responding to complaints	Sets out that a response to a complaint must be made within 10 or 20 working days (dependent on whether onsite visit or third party enquires are needed). Further compensation for continued non response is capped at £100.			✪	

[23] Under our Final Proposals for price controls from April 2010, published 7 December 2009.